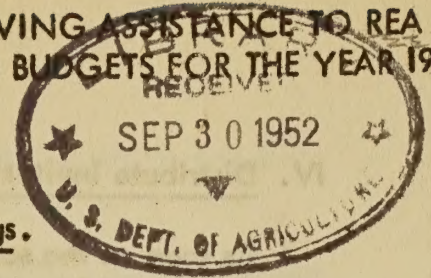


3  
SUGGESTED PROCEDURES TO BE FOLLOWED IN GIVING ASSISTANCE TO REA  
BORROWERS IN THE FORMULATION OF OPERATING BUDGETS FOR THE YEAR 1952 //



I. Arrange for state associations to sponsor budget meetings.

Arrangements should be made with each state association, working through the chairman of the respective management committees, to sponsor group meetings of borrowers for discussion on preparation of budgets. It is desirable that such meetings be sponsored and conducted by the borrowers through their state associations. This may be accomplished by a letter from the Area Director suggesting the sponsorship of such meetings, or through personal contact with the chairman of the management committee by the General Field Representative.

II. Establish schedule for meetings.

After each state association has agreed to sponsor the budget meetings, a definite schedule for such meetings in each state should be prepared. This schedule should include the time and place of each meeting, as well as the borrowers who will be invited to attend each meeting. It would appear that such a schedule could best be arranged by personal contact with the officials of the state association by a General Field Representative. It would also appear desirable that such meetings be planned so as to cover at least two days each.

III. Select chairman for each meeting.

In order to encourage borrower participation, and to increase their ability to better manage their own affairs, it would seem appropriate to suggest that they select a chairman for each meeting from the group of managers to attend such meeting. This could probably best be accomplished at the time the schedule for each meeting is arranged. The chairman would be responsible for the conduct of each meeting. When discussing the agenda for the meeting with the chairman or state officials avoid giving the impression we are merely using them as a front. REA personnel attending the meetings should, as much as possible, stimulate borrower initiative and contribute methods and techniques as an advisor to those who are actually doing the job. The REA personnel will of course give such guidance and assistance as is requested. It is also expected that each REA representative present will have an opportunity to participate in the program to explain his particular phase of the REA program and to give advice and assistance in respect to such responsibilities in so far as they may affect the preparation of a balanced operating program and financial budget.

The person selected to be chairman of each meeting should be so notified by the state association and properly advised as to his responsibilities and part he will play in each meeting. It would appear desirable for the General Field Representative, who is scheduled to attend each meeting, to personally visit the chairman for the meeting as soon as practicable after the meeting has been arranged. At this time the agenda for the meetings should be discussed and such modifications as the chairman may feel desirable can be made at that time.



#### IV. Distribute invitations to borrowers to attend meetings.

As soon as the schedule for the group meeting has been determined, a chairman has been selected, and a program agenda has been completed, each borrower concerned should be notified and invited to attend the meeting. These notices, or invitations, should be sent out by the state association and should state the date, time, and place of meeting. Invitations should be extended to each manager, suggesting that he bring along the bookkeeper, board president, and as many other members of the board as is possible. Accompanying the invitation should be a statement outlining the purposes and advantages of formulating a balanced operating program and financial budget, as well as the planning and work each borrower should do prior to the date of the meeting. Since it is important that the personnel of each borrower give adequate attention to these matters prior to attending the meeting if they are to gain the full advantage of such meetings, the invitation should urge participants to complete preliminary work in advance. This statement should cover the following items:

1. Determine objectives or end goals of cooperative. Evaluate cooperative's present position in respect to achievement of these objectives.
2. Purposes and advantages of Balanced Program Planning and financial budgeting.
3. Planning the operational or work program for the coming year. Plan what can and should be done over the next year to further the cooperative's achievement of its objectives. Estimate the cost of each item included in this program and establish a time schedule for its accomplishment.
4. Prepare basic statistical and financial data for use in formulation of financial budget, for example:

Compute average kwh consumption for each class of consumers for the past five years.

Compute the average cost per mile of line energized for Distribution Expenses--Operation, and Distribution Expenses--Maintenance, for past five years.

Compute average cost per consumer for consumer's accounting and collecting expenses for the past five years.

Estimate the number of miles of line to be in service for each month of the next year and estimate the approximate value of electrical plant.



Estimate the number of consumers in each classification which you will be serving for each month of the next year.

Compute the average cost per kwh of purchaser and/or generated power for past five years.

Prepare schedule of all loans showing total amount, amount advanced, amount of accrued interest deferred, basic date and amount of quarterly payment.

Prepare list of all personnel showing position title and rate of pay.

Prepare list of all fixed charges, such as rents, etc.

List of all taxes for which borrower is liable showing kind of tax, basis for determining amount of tax and rates.

V. Arrange for REA Field Specialists to participate in the meeting.

In order to provide adequate technical advice and assistance to all borrowers in the formulation of their balanced operating programs and financial budgets, the responsible General Field Representative, should arrange for the various field specialists to attend all meetings. The field specialists should prepare themselves to discharge the following responsibilities when participating in these meetings:

Management Specialist

Advising the borrowers as to the needs for and benefits to be derived from balanced operating programs and financial budgets.

Advising as to the elements required for the preparation of an operating program and financial budget.

Explaining the techniques of preparing an operating program and financial budget.

Giving individual attention to borrowers in arriving at well balanced operating programs and financial budgets.

Reporting on the attendance at such meetings, conduct of meetings, results obtained, and suggestions for improvements or changes. This should include the comments and thinking of the borrower's personnel who attended these meetings.



Loans Specialist.

Explain most recent feasibility study, and that funds have been loaned to provide a system which will deliver to the consumers the estimates of consumption used in the feasibility study. Until the system is utilized to the fullest capacity, the system is suffering from capital loss. A good T.O.M. program must be maintained in order to give continuous adequate service. Explain Section V.

Power Use Specialist

Advising the individual borrowers of the need for good power use and consumer education programs.

Arriving at estimated costs of power use and costs of power use and consumer education programs for the purposes of determining the amounts to be included in the financial budgets.

Engineering Specialist.

To advise individual borrowers on need for a good technical operations and maintenance program, and to assist in arriving at estimated costs of such programs for the purposes of determining the amounts to be included in the financial budget.

How to evaluate the relative importance of needed programs and determining priority for purposes of arriving at a balanced program in line with available finances.

Division of Controller

To assist in appraising the need for administrative personnel to permit the accomplishment of good accounting records, and to assist in estimating costs thereof.

To advise on proper accounting practices, or record keeping, in so far as it is relative to a balanced operating program and financial budget.

Power Division

To advise on proposed or anticipated improvements in power supply for each borrower attending these meetings.

To assist in making estimates of costs of power for individual borrowers for the purposes of arriving at the amounts to be included in the financial budgets.



VI. Techniques for preparation of budgets.

Each Area Director should determine the techniques or methods which will be used in the preparation of each borrower's financial budgets in his respective Area. It would seem desirable to follow the same procedures or techniques used in the preparation of last years budgets, modified as judgment dictates to incorporate more advanced techniques and planning as rapidly as borrower development will permit. The thinking behind this suggestion is that various borrowers are at various stages of management development so that some will find simple trend projections acceptable; others will be ready for slightly more refined adjustments for planned program differences; and others will be ready for detailed work program layouts governing personnel staffing patterns, materials purchasing schedules, equipment utilization schedules, etc., all contributing to the totals finally incorporated in the budget summary. In most cases these estimates or budget figures projected therefrom will be modified of course on a judgment basis for each individual borrower taking into account the planned operations or work program so as to arrive at a well balanced operations program and a financial budget which integrates work programming with money management.

Prepared by:

U.S. REA. Management Section  
Operations Division  
August 11, 1952

VI. Techniques for preparation of budgets

Each Area Director should determine the techniques or methods which will be used in the preparation of such borrower's financial budgets in his respective Area. It would seem desirable to follow the same procedures or techniques used in the preparation of last year's budgets, modified as judgment dictates to incorporate more advanced techniques and planning as rapidly as borrower development will permit. The thinking behind this suggestion is that various borrowers are at various stages of management development so that some will find simple trend projections acceptable; others will be ready for slightly more refined objectives for planned program differences; and others will be ready for detailed work program layouts governing personnel staffing patterns, materials purchasing schedules, equipment utilization schedules, etc., all contributing to the totals finally incorporated in the budget summary. In most cases these estimates or budget figures projected therefrom will be modified of course on a judgment basis for each individual borrower taking into account the planned operations or work program so as to arrive at a well balanced operation program and a financial budget which integrates work programming with money management.

Prepared by:

Management Section  
Operations Division  
August 11, 1955